

Message Text

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DRAFTED BY EUR/RPE:EHPREEG:JMR

APPROVED BY EB - MR. ENDERS

EB/ORF/FSE: MR. BOSWORTH

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C O N F I D E N T I A L STATE 280693

E.O. 11652:GDS

TAGS:ENRG, OECD

SUBJECT:IEA GOVERNING BOARD MEETING, DECEMBER 18-19:

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PRODUCER-CONSUMER RELATIONS

REFTEL: OECD PARIS 30755

1. AGENDA ITEM ON PRODUCER-CONSUMER RELATIONS OPENED WITH REPORT BY CHAIRMAN OF STANDING GROUP ON PRODUCER -CONSUMER RELATIONS (SPC) WILTON ON RECENT MEETING OF GROUP, WHICH WAS RECEIVED WITH LITTLE COMMENT.

2. ENDERS THEN REPORTED ON MARTINIQUE SUMMIT MEETING WHICH HE CHARACTERIZED AS CONSTRUCTIVE AND CORDIAL. HE WENT ON TO DESCRIBE IN DETAIL FOUR STAGE SEQUENTIAL TIMETABLE FOR PRODUCER-CONSUMER DIALOGUE: SUBSTANTIAL PROGRESS ON CONSUMER SOLIDARITY, MARCH TARGET DATE FOR PREPARATORY MEETING WITH PRODUCERS ON PROCEDURES, COMPLETION OF COMMON CONSUMER POSITIONS ON SUBSTANTIVE AGENDA ITEMS, AND CONVENING OF PRODUCER-CONSUMER CONFERENCE. HE ELABORATED THAT MOST IMPORTANT QUESTION IS CONSUMER VIEW ON PRICE OF OIL: WE DON'T HAVE SUCH A VIEW YET SINCE IT DEPENDS ANALYTICALLY ON DECISIONS TO BE TAKEN IN THE FIELD OF LONG TERM COOPERATION AND OUR ESTIMATE OF THE IMPACT OF REDUCED DEPENDENCE ON IMPORTED OIL OVER THE LONGER TERM. FURTHER ELEMENT TO BE CONSIDERED IS THE LEVEL OF ACCUMULATION OF FINANCIAL ASSETS BY PRODUCER COUNTRIES AND WHAT LEVEL CAN BE

REASONABLY SUSTAINED. OUR LONG TERM PRICE LEVEL MAY BE WHERE FINANCIAL ACCUMULATION WILL STOP OR BE REVERSED. FOR PRICE ISSUE THERE ARE LINKS BETWEEN WORK IN STANDING GROUP ON LONG TERM COOPERATION AND PRODUCER-CONSUMER RELATIONS, WHICH MUST BE CONSIDERED IN PARALLEL. PERHAPS CHAIRMAN DAVIGNON, DRAWING ON DELEGATIONS AS APPROPRIATE, COULD DEVELOP SYNTHESIS AND OVERVIEW ON PRICE ISSUE, WHICH IS MOST IMPORTANT QUESTION TO BE FACED BEFORE WE START SERIOUS NEGOTIATIONS WITH PRODUCERS. PRODUCER-CONSUMER RELATIONS CAN BE DEVELOPED AT A FAST CLIP BUT ONLY IF WE EMBARK ON INTENSIVE WORK PROGRAM IN IEA.

3. THERE WAS UNANIMOUS FAVORABLE REACTION TO MARTINIQUE DECISIONS ON PRODUCER-CONSUMER DIALOGUE AND GENERAL APPROVAL OF TIMETABLE. QUESTIONS WERE RAISED ABOUT THE CONFIDENTIAL

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MEANING OF QUOTE EXISTING INSTITUTIONS UNQUOTE IN THE MARTINIQUE COMMUNIQUE, WHETHER DEVELOPING COUNTRIES SHOULD PARTICIPATE, AND HOW LIAISON BETWEEN IEA AND FRANCE WOULD BE ESTABLISHED. ENDERS RESPONDED THAT THESE ISSUES NOT RPT NOT ADDRESSED AT MARTINIQUE AND NEEDED TO BE CONSIDERED IN IEA. TO BEGIN CONTACTS WITH FRENCH, ENDERS SUGGESTED DAVIGNON ACT AS LIAISON ON BEHALF OF IEA. REGARDING MARCH TARGET DATE FOR PREPARATORY MEETING,

DAVIGNON, SUPPORTED BY UK, ITALY AND OTHER DELEGATIONS, STATED THAT WHILE DATE IS ONLY TARGET AND CONDITIONAL ON PROGRESS TOWARD CONSUMER SOLIDARITY, THERE IS A DEGREE OF POLITICAL COMMITMENT TO THE TIMETABLE AND IF IT SHOULD SLIP SUBSTANTIALLY IT WOULD BE SETBACK FOR IEA AND WEAKENING OF CONSUMER POSITION.

4. ON PRICE ISSUE, SWEDEN AND SWITZERLAND STATED THAT WHILE PRICE CLEARLY OF GREAT IMPORTANCE IT IS HIGHLY CONTROVERSIAL AND PERHAPS DIALOGUE WITH PRODUCERS SHOULD START WITH LESS CONTENTIOUS ISSUES. GERMANY CALLED FOR STUDY OF PRICE LEVELS INCLUDING WHOLE QUESTION OF INDEXATION. JAPAN SUGGESTED SPECIAL SMALL GROUP BE ESTABLISHED TO STUDY ENTIRE PRICE ISSUE ON URGENT BASIS.

5. DAVIGNON SUMMED UP GOVERNING BOARD SESSION WITH STRONG PITCH THAT IEA MOVE AHEAD QUICKLY AS DECISION-MAKING BODY. DELEGATES TO NEXT GOVERNING BOARD MEETING, FEBRUARY 5-7, SHOULD COME PREPARED TO TAKE SPECIFIC, AD REFERENDUM DECISIONS ON MAJOR ISSUES OF LONG TERM COOPERATION. DELEGATIONS TO NEXT MEETING SHOULD ALSO INCLUDE FINANCIAL EXPERTISE TO DEAL WITH FINANCIAL PROBLEM DEVELOPED IN G-10, STANDING GROUPS AND ELSEWHERE. AS FOR FRENCH, BASIC WORK CAN ONLY BE DONE IN IEA BUT LINKS MUST BE DEVELOPED

WITH FRANCE IN ALL APPROPRIATE WAYS. FULL ADVANTAGE MUST BE TAKEN OF COORDINATION WITHIN EUROPEAN COMMUNITY. DAVIGNON AS CHAIRMAN CAN TALK WITH FRENCH AND OBTAIN THEIR VIEWS. THERE WERE IN FACT SENTENCES AGREED BY FRANCE AT EC-9 SUMMIT THAT DID NOT GET INTO EC-9 COMMUNIQUE, INCLUDING QUOTE CONSUMER COOPERATION IN LIAISON WITH IEA UNQUOTE. DAVIGNON THEN ESTABLISHED DRAFTING GROUP TO ELABORATE GOVERNING BOARD DECISIONS IN CONFIDENTIAL

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AREA OF PRODUCER-CONSUMER RELATIONS.

6. CONCLUSIONS AGREED BY DRAFTING GROUP WERE SUBMITTED AT FINAL SESSION OF GOVERNING BOARD IN ORAL FORM DUE TO LATE HOUR AND IMMINENT DEPARTURE OF KEY DELEGATES. IN TEXT CIRCULATED FOLLOWING DAY BY SECRETARIAT (SEE REFTEL) IT APPEARS SOME MINOR POINTS AGREED BY DRAFTING GROUP WERE OMITTED. MOST IMPORTANT SECTION, HOWEVER, IS PARA H WICH DESCRIBES PROCEDURE FOR MULTILATERAL PRODUCER-CONSUMER DIALOGUE IN FOUR INTER-RELATED SEQUENTIAL STAGES CONSISTENT WITH MARTINIQUE COMMUNIQUE. IN THIS RESPECT, CONDITION OF QUOTE SATISFACTORY PROGRESS UNQUOTE IN CONSUMER SOLIDARITY BEFORE CONVENING PREPARATORY MEETING WITH PRODUCERS WAS INTERPRETED BY U.S. DELEGATE IN DRAFTING GROUP AS QUOTE SUBSTANTIAL PROGRESS UNQUOTE.

7. COMMENT: IN DISCUSSIONS WITH HOST GOVERNMENT OFFICIALS, POSTS SHOULD EMPHASIZE CONDITIONALITY OF MARCH TARGET DATE FOR PREPARATORY MEETING WITH PRODUCERS. THIS TIMETABLE CAN ONLY BE MET IF CONCRETE DECISIONS ARE FIRST TAKEN BY CONSUMERS IN INTER-RELATED AREAS OF CONSERVATION, DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES AND FINANCIAL SOLIDARITY. IT IS THEREFORE CRUCIAL THAT FEBRUARY 5-7 GOVERNING BOARD BE DECISION-MAKING SESSION AS CALLED FOR BY DAVIGNON. TO FACILITATE THIS PROCESS, ALL STANDING GROUPS WERE INSTRUCTED TO COMPLETE REPORTS AND RECOMMENDATIONS BY JANUARY 24 IN ORDER TO GIVE CAPITOLS FULL WEEK FOR REVIEW BEFORE GOVERNING BOARD MEETING. KISSINGER

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